



RETIREMENT SYSTEM

SUMMARY REPORT 2015

Overview

The Wyoming Retirement System (WRS) administers retirement plans for most public employees in Wyoming. Established in 1953 when the state employees' pension and the teachers' pension were combined, WRS encompasses almost all non-federal public employees in Wyoming.

By centralizing administration, employers can provide retirement benefits without specializing in this area of expertise.

Our Mission

Providing expert administration and responsible investment of Wyoming's public retirement and supplemental savings program

WRS Board of Trustees

WRS is governed by a Board of trustees comprised of the state treasurer, five trustees who are members of WRS' pension plans and five "at-large" trustees who are not. With the exception of the Treasurer, Board members are appointed by the governor and confirmed by the Wyoming Senate. State law ensures the political affiliation on the Board is balanced and the five trustees who are WRS members represent different employee constituencies.

Because the retirement trust fund is of great importance to the entire state, WRS reports to the governor and legislatively reports to the Joint Appropriations Committee. The Board's duty is to manage WRS' assets and liabilities to keep the retirement plans financially sound. Trustees are fiduciaries and required by law to act in the best financial interest of the members.

The Board employs an executive director who oversees day-to-day operations which includes a staff of about 40 employees.



Members

The large majority of WRS' members are in the Public Employee Pension Plan. Smaller plans exist for judges or public safety professionals because those occupations necessitate a unique benefit structure. State law also establishes a pension plan for volunteer firefighters and volunteer emergency medical technicians.

Since so many employers participate in the pension plans, members have some pension portability. For example, a member could move from employment with a school district to a state agency without interrupting the accumulation of pension benefits. This is not typical of pension plans and can be a significant advantage to a member.

Employers

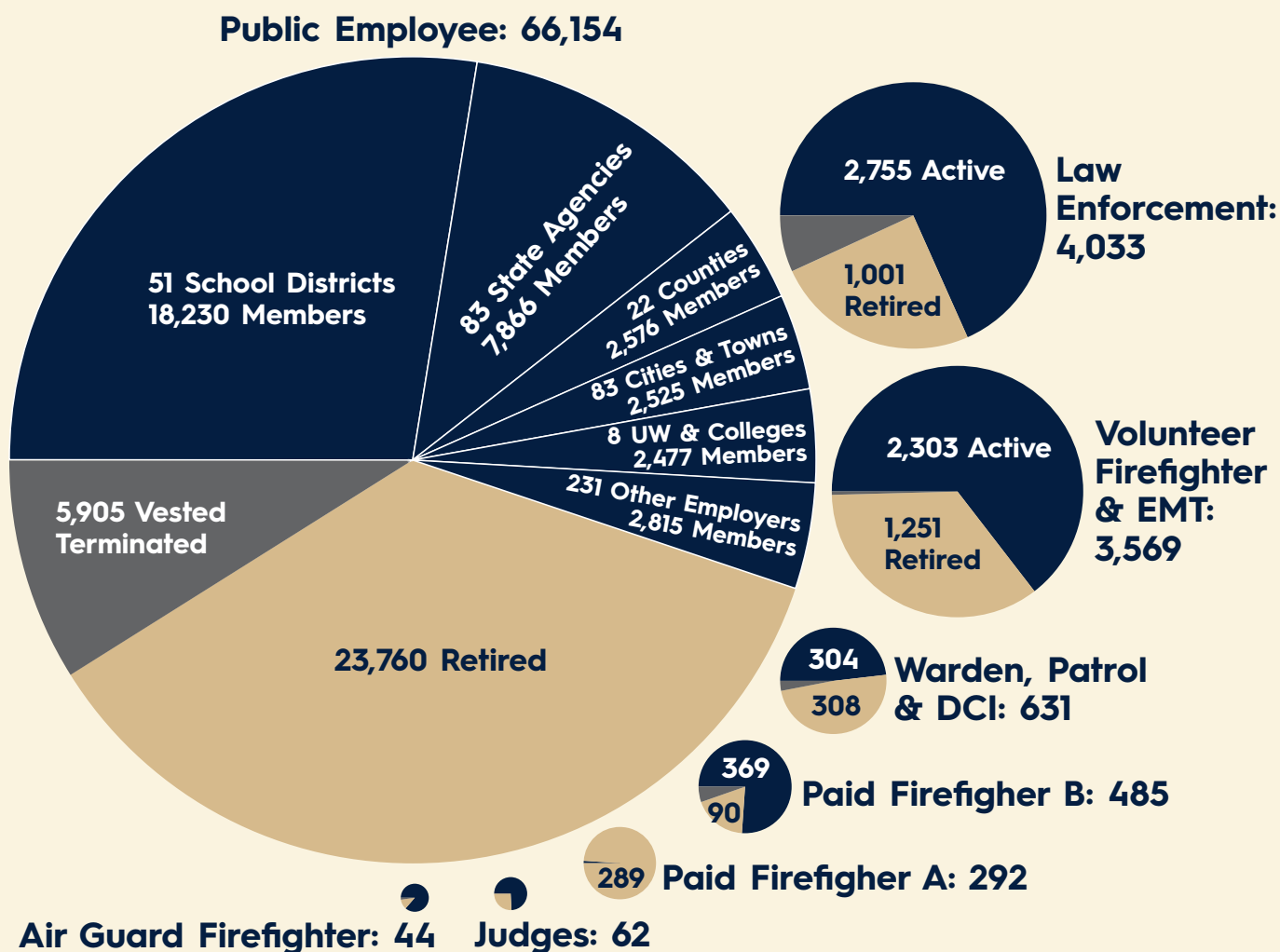
As of January 2015, WRS served about 42,000 current employees and their 700+ employers. There are eight different defined benefit pension plans. Disability and death benefits, important for human resource management, are included within each pension plan.

Retirement benefits are an important way that employers recruit qualified workers and avoid costly staff turnover. Research¹ shows that a pension plan is a particular help to employers in this regard. Roughly 80 percent of actively employed WRS members surveyed in 2012-2014 said the pension is "Mostly Important" or "Very Important" in keeping them in their current employment.

Retirement benefits are a part of total compensation determined by each employer. Employers have the flexibility to pay for some or all of the contribution required for employees according to the employer's specific compensation arrangements.

The employers that participate in WRS range from small to large. With almost 8,000 members, the largest single participating employer in WRS is Wyoming's executive, legislative and judicial branches of government. However, the school districts together employ over 18,000 of WRS' active members.

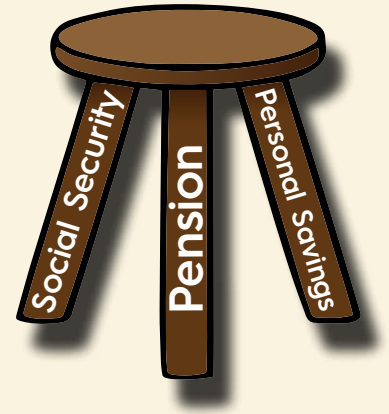
¹ Do Public Pensions Help Recruit and Retain High-Quality Workers? Center for Retirement Research at Boston College



Benefits

The ideal for retirement income security is a “three-legged stool,” with each leg of the stool representing a different source of income during retirement years. This is what most public employees in Wyoming have available to them with a pension, personal investments through the 457 Plan or other sources, and Social Security.

- **Pension:** WRS Pension Plans provide a member a monthly payment for life once the member meets age, vesting and service qualifications. In general, the amount of this “defined benefit” is determined by a formula based on the member’s salary, length of service and age at retirement.
- **Personal Investments:** WRS administers a Deferred Compensation 457 Plan, which is an elective supplemental savings plan. The 457 Plan is a type of “defined contribution” plan and is commonly understood as a 401(k) plan for the public sector. The 457 Plan allows individuals to build personal assets for retirement inside a tax-advantaged structure with both pre-tax and after-tax options.
- **Social Security:** Most of WRS’ members also participate in Social Security with the exception of paid firefighters and some police.



The three-legged stool provides a special advantage by diversifying the retiree’s sources of income. Even in the event of a long life span, there isn’t a concern about running completely out of money in retirement with lifetime payments from the pension and Social Security. Because every person’s situation is unique, the 457 Plan allows each individual to decide how much to invest in working years to supplement other retirement benefits.

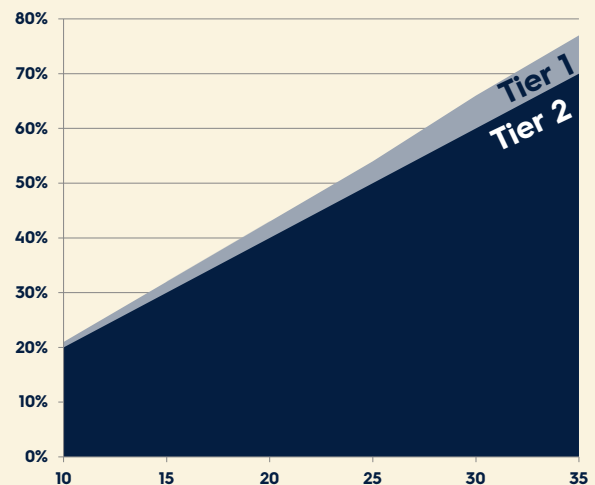
Benefit Comparison for WRS’ Public Employee Pension Plan

The Public Employee Pension Plan has two tiers of benefits. Tier 2 is a modestly reduced tier of benefits for newer employees. The average benefit paid to retirees in 2014 was \$18,178 annually or \$1,514 a month. The average service at retirement is 19.6 years, and about 18 percent of all retirees are career employees with 30 or more years of service.

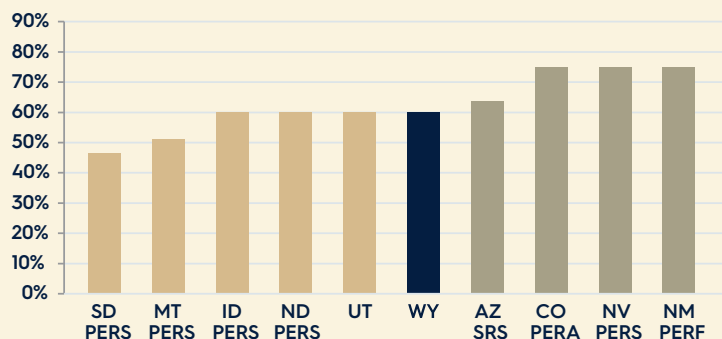
When combined with Social Security, the benefits of the Public Employee Plan allow career members, assumed to be those with 30 years of service, to maintain their pre-retirement standard of living. However, there is not a promised cost of living (COLA) provision. State law has stringent funding requirements that must be met before a COLA award could be granted from retirement trust funds.

The WRS 457 Plan is an important supplement to the pension and Social Security that enables members to establish a livable retirement income for the long-term, as many members will need to supplement their pension with personal savings or other income in retirement.

WRS Pension Income Replacement Ratio by Years of Service at Full Retirement Age

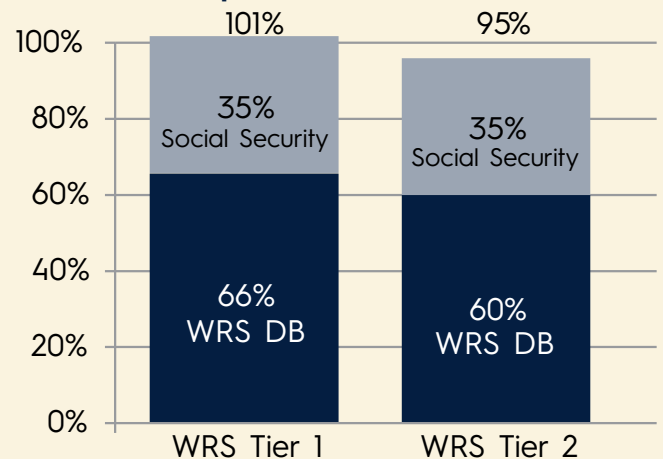


WRS Tier 2 benefits compared to regional peers



Source: NASRA Public Fund Survey FY 2013. Not all plans participate in Social Security or have COLA provisions.

Pension Income Replacement Ratio with Social Security



*Social Security replacement ratio will vary according to an individual’s retirement age and salary history.

Economic Impact

In 2012, contributions to WRS’ pension plans were 1.78 percent of Wyoming’s state and local government general budget spending. The national weighted average for state pension plan spending is 3.87 percent.ⁱ Contributions to WRS’ pension plans are a relatively small part of state spending, and the benefits of this spending do not go to pension plan members and their employers alone.

ⁱ State and Local Government Spending on Public Employee Retirement Systems, National Association of State Retirement Administrators, Feb. 2015

In 2014, WRS paid over \$495 million in benefits. About 78 percent of these payments remain in Wyoming. The ripple effect of these payments helps to stimulate and stabilize both the state and local economies. Pension payments also offer excellent retirement security and reduce economic hardship among the elderly.

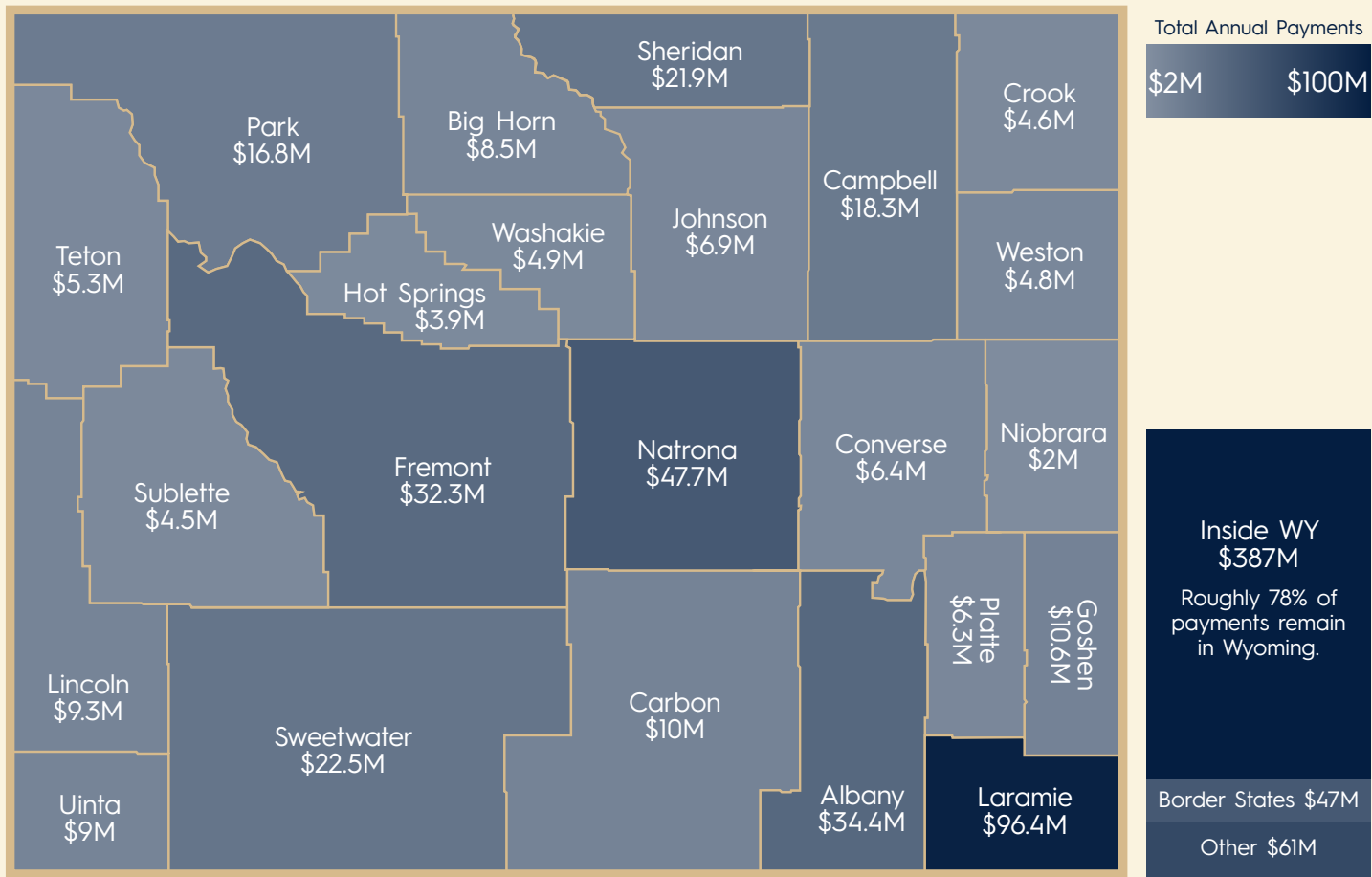


Chart includes refunds in addition to pension payments.

Policy Considerations

In general, a defined benefit pension plan can pay more retirement benefit than a defined contribution plan for the same amount of contribution. Defined benefit plans can achieve cost-savings and superior returns as a result of professionally managing a large pool of assets. Additionally, defined benefit plans can base their actuarial assumptions on average lifespans and their investment strategy on a long investment horizon. Individuals would need to save more and adjust their investments according to a time horizon in order to have the assets to cover a potentially long lifespan.

Defined benefit pension plans are more complex for employers to manage in terms of contribution requirements, assets and liabilities. Careful management necessitates ongoing monitoring of the assumptions and funding status, which could lead the Board to recommend incremental changes. Once changes are made, time is needed to determine the effect.

In contrast, members of a defined contribution plan make individual decisions about how much to contribute, how to invest, and how to withdraw. A defined contribution plan is potentially more favorable for employees with shorter tenure and is usually more portable than a pension. However, when a defined contribution plan is the primary retirement plan, an individual’s ongoing income at retirement is often uncertain. Short-term market conditions and uninformed investment decisions can have a negative impact on an individual’s retirement income. An individual could also run out of money, particularly if he or she lives a long time after retirement. In order to minimize negative impacts, retirees often annuitize assets, usually at an additional cost.

The WRS Board believes, and passed a resolution affirming, that a defined benefit plan supplemented by the 457 Plan is the best way to provide retirement benefits for the public employees of Wyoming.

Funding Status

The WRS Board closely monitors funding status and has an actuarial study, or valuation report, done for each plan every year to estimate the long-term liabilities of the plan based on assumptions about investment returns, inflation, future salary increases, member life spans and other information. The funded ratio—assets of the plan divided by liabilities—is a key measure of a pension plan’s health.

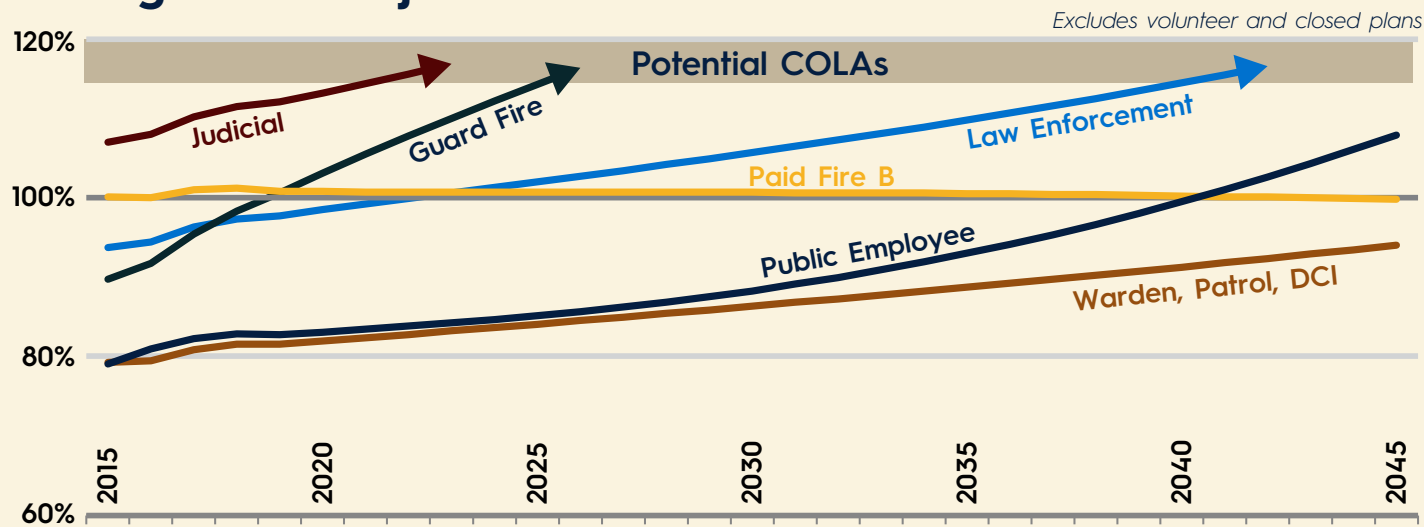
The funding status is most meaningful when viewed in the context of additional factors such as the adequacy of incoming contributions, financial health of member employers, investment strategy, projected trends in funding status, and the realized accuracy of actuarial assumptions. A current ratio below 100 percent does not necessarily indicate a funding problem as long as incoming

contributions are adequate to meet future projected benefit payments. The Board is not seeking contribution rate changes in any plan at this time, as funding ratio projections for all of WRS’ open pension plans show positive trends.

Over the past few years, changes were made to benefits and contributions to ensure the long-term health of several plans. The Paid Firefighter A Plan has been closed to new members and will require a legislative solution to address long-term funding status problems in that plan.

Careful management by the Board, as well as partnerships with the Legislature and other stakeholders has positioned all of WRS’ open plans for sustainability.

Funding Ratio Projections



Contribution and Funded Ratio by Plan

Plan	Current Contribution Rate	1/1/2014 Funded Ratio	1/1/2015 Funded Ratio	30 Year Funded Ratio Projection
Public Employee	16.62%	77.6%	79.0%	107.9%
Warden, Patrol, & DCI	29.44%	77.4%	79.2%	94.0%
Law Enforcement	17.20%	92.4%	93.7%	120.0%
Judicial	23.72%	103.0%	107.0%	163.4%
Paid Fire B	21.245%	99.1%	100.1%	99.8%
Guard Fire	23.77%	86.8%	89.7%	163.0%
Paid Fire A	\$0	68.3%	67.3%	0.0%

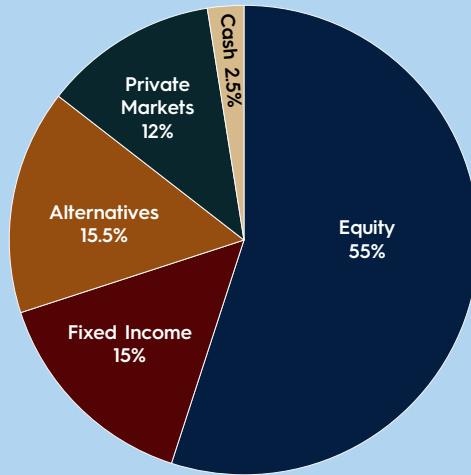
Excludes Volunteer Firefighter & EMT Plan created in 2015



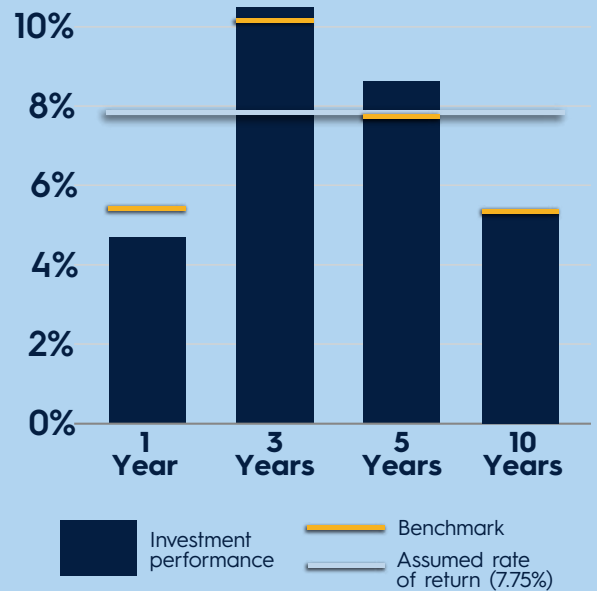
Investments

WRS invests approximately \$7.7 billion with a combined investment strategy for all plans. The Board establishes parameters for asset allocation and delegates investment manager and tactical allocation decisions to its chief investment officer with executive director approval. The asset allocation is designed to achieve the Board's assumed rate of return over long time periods. In February 2013, the Board reduced the assumed rate of return from 8 percent to 7.75 percent. The Board also measures performance relative to shorter-term benchmarks in order to evaluate investment policy implementation decisions.

Strategic Target Asset Allocation as of 1/1/2015



Annualized Returns as of 1/1/2015

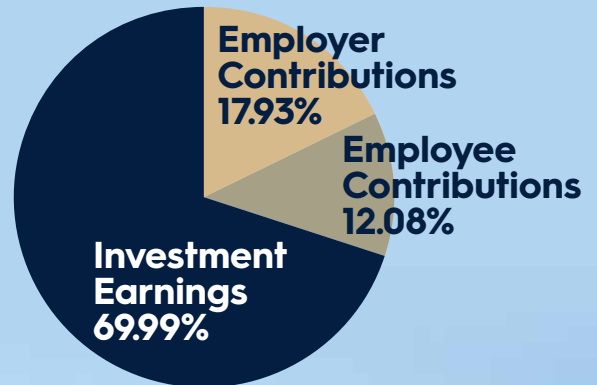


Between 1993 and 2012, 70% of Wyoming retiree payments came from investment earnings on employer and employee contributions.

Financial Summary

WRS receives statutorily required incoming contributions, from both employers and employees, to pre-fund future pension benefit payments. This allows WRS to invest the contributions and increase assets available to pay benefits over the long term. Each plan has a different contribution rate, generally based on what is needed to fund promised benefits.

In aggregate, the pension plans paid out more in benefits in 2014 than was received in contributions. This is normal for a mature pre-funded pension plan, as investment earnings represent a large portion of benefits paid.



Pensionomics 2014, National Institute on Retirement Security

2014 Financial Summary for All Plans Combined

Contributions	\$314,797,097	Investment Income	\$362,079,143	Benefits	\$495,004,656
Employer	\$148,487,568	Net Change in Fair Value	\$219,786,617	Pension Benefits	\$472,591,162
Member	\$157,291,020	Interest & Dividends	\$187,342,777	Refunds	\$22,413,494
Other	\$9,018,509	Securities Lending	\$3,931,435		
		Investment Expense	-\$48,981,686		

Wyoming Retirement System

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